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SIPDIS

SENSITIVE
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STATE PASS TO USAID, NEA/ARP FOR JACKSON, SA/PAB

E.O. 12958: N/A
TAGS: [ECON](#) [EFIN](#) [EAID](#) [KU](#)
SUBJECT: AFGHANISTAN: UNPAID DEBT HINDERS ADDITIONAL
KUWAITI ASSISTANCE

REF: KUWAIT 751

¶1. (SBU) Kuwait Fund Regional Manager for Asia and the Pacific Abdul Kareem Al-Mutawa told Econcouns May 29 that Afghanistan's arrears of 5.7 million dinar (USD 18 million), dating back to loans extended by the Fund to Afghanistan in the 1970s, continue to hamper further Kuwaiti assistance to Afghanistan. Al-Mutawa said the GOK has indicated its interest in increasing support for Afghanistan, including to the Afghan FM during his May 5-6 visit to Kuwait. The Fund, he said, is prepared to offer loans to Afghanistan on "the most generous and flexible terms," provided Afghanistan demonstrates seriousness in repaying its debt. To date, Al-Mutawa said, many Afghan officials have promised to "study" the issue but have never followed through.

¶2. (SBU) Econcouns asked whether the Kuwait Fund had responded to the March 4, 2007 letter from Afghan Finance Minister Anwar Ul-Haq Ahady to Kuwait Fund DG Al-Bader requesting that the debt be written off "in recognition of Afghanistan's limited financial resources and our need to direct available funds toward humanitarian and social needs." Al-Mutawa said the Fund had responded to the effect that total debt forgiveness was not possible under the terms of Kuwait Fund loans; rather, the Afghans should demonstrate good faith in trying to repay the loan.

¶3. (SBU) Al-Mutawa noted that despite the outstanding debt the Fund had provided USD 30 million in new assistance after the fall of the Taliban in 2002. Half of the amount was allocated for construction and repair on the Kandahar Ring Road, while the other half was funneled through the Asian Development Bank to provide salaries for Afghan government employees.

¶4. (SBU) Al-Mutawa said the figure of USD 1.4 billion in Kuwaiti assistance to Afghanistan since 2002, a figure provided by the MFA (reftel), was incorrect (comment: subsequent to Ref A, the MFA acknowledged its figure of USD 1.4 billion was not correct and promised to provide revised figures later. End comment). Al-Mutawa asserted that the USD 30 million he described is the only aid Kuwait has provided to Afghanistan since the 1970s. Assistance provided in the 1970s consisted of loans for a sugar project in Baghlan Province and three grants for agricultural studies. The Kuwait Fund charges 1.5 percent interest on the loans, Al-Mutawa said.

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LeBaron